



FPA STATE OF THE FLEXIBLE PACKAGING INDUSTRY REPORT - 2011

Industry Performance, Materials & Processes, and End-Uses

Recently, the Flexible Packaging Association published its 20th annual *State of the Flexible Packaging Industry Report*, which provides insight into the economic and financial health of the flexible packaging industry. The 2011 *State of the Flexible Packaging Industry Report* is currently available in print and online within the "Members Only" section of the FPA Web site, www.flexpack.org.

Data and statistical information available within the *Report* is gathered through a series of FPA surveys including the FPA members State of the Industry Survey, and the FPA non-members Industry-Wide Converter Information Survey. Composite survey responses represent nearly \$13.9 billion in flexible packaging sales. Additionally, data from the U.S. Census Bureau's 2009 Annual Survey of Manufacturers, the U.S. Department of Labor, the U.S. Department of Commerce, and investment banking reports, are included in the *Report*.

This valuable content makes the *Report* a key publication for flexible packaging companies and

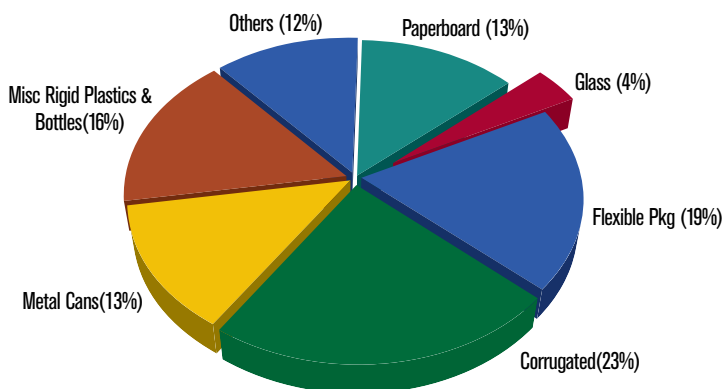
the investment community. Information on industry M&A activity, global packaging, industry exports and imports, industry structure and consolidation, and industry issues and opportunities is provided within the *Report*. This issue of the *FPA Update* focuses on the Industry Performance, Materials & Processes, and End Uses sections of the 2011 *FPA State of the Flexible Packaging Industry Report*.

Industry Performance

The U.S. flexible packaging industry is estimated to be about \$25.5 billion in annual sales for 2010. It represents 19 percent of the \$134 billion U.S. packaging industry and remains the second largest segment behind corrugated paper.

According to the *Report*, growth of the U.S. flexible packaging industry has been steady over the past 10 years with a compound annual growth rate (CAGR) of 2.6 percent and annual growth rate of 7.3 percent. FPA estimates that the industry will increase to \$27.5 billion in 2011.

TOTAL U.S. PACKAGING SALES
% breakdown by segment



Total: \$134 billion

Source: Latest Census Bureau ASM data and Flexible Packaging Association estimates

Materials & Processes

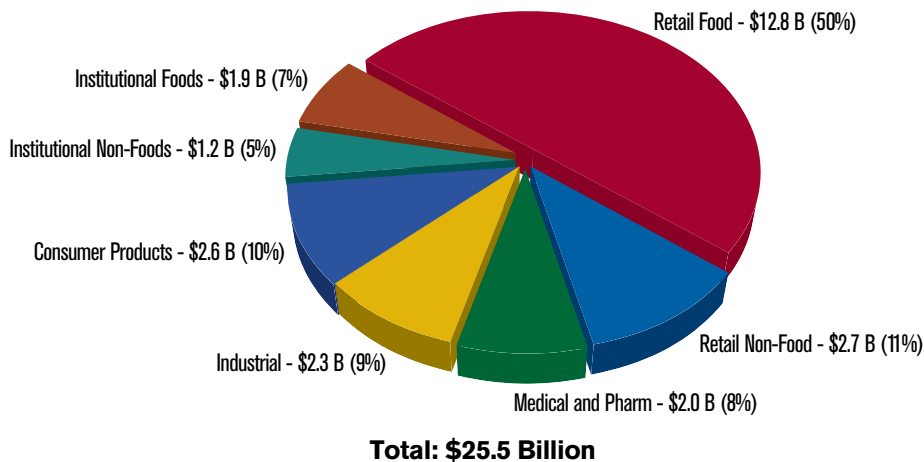
Flexible packaging companies utilize a number of materials and processes to produce flexible packaging. Film and sheet, and plastic resins account for 61 percent of the materials used in the U.S. flexible packaging industry. Inks account for about 9 percent; paper, 11 percent; foil, 5 percent; and, coatings and adhesives, 4 percent.

The *Report* details that PE (polyethylene) film is used by 90 percent of survey respondents, and accounts for 39 percent of total film use. PE resin is used by 86 percent of survey respondents and accounts for 92 percent of total resin.

End Uses

Flexible packaging continues to expand packaging options for a wide variety of retail, industrial, and institutional products. The *Report* notes that 50 percent (\$12.8 billion) of total flexible packaging is utilized for food sold through retail outlets. Driven by innovations in technology and design, the use of flexible packaging in other markets continues to expand rapidly. Survey participants noted that flexible packaging top growth end-uses include pet foods and supplies, refrigerated meat, pharmaceuticals, produce, dinner products and mixes, snacks, coffee and tea, health and beauty aids, miscellaneous dry shelf, and medical devices. **FP**

U.S. FLEXIBLE PACKAGING INDUSTRY BREAKDOWN BY END-USE MARKET



Source: FPA 2010 State of the Industry and Industry-Wide Converter Surveys - composite member and non-member data

FPA RELEASES FIRST QUARTER 2011 PULSE OF THE INDUSTRY REPORT

Recently, the Flexible Packaging Association issued its *First Quarter 2011 Pulse of the Industry Report*, which provides information on the performance of flexible packaging converters. The *Report* is a benefit of FPA membership and is available in the "Members Only" section of the FPA Web site, www.flexpack.org.

Specifically, the *Pulse of the Industry Report* examines sales, volume, profit, inventory, capital expenditures, and capacity utilization for first quarter 2011 versus fourth quarter 2010 and first quarter 2010. The data and information appearing within the *Report* is gathered through the 2011 Pulse of the Industry Survey.

According to the *Report*, 79 percent of survey participants reported higher sales in first quarter 2011 versus fourth quarter 2010; 67 percent of survey participants reported higher first quarter 2011 profits versus fourth quarter 2010; and, expectations for sales in second quarter 2011 are optimistic with 64 percent of survey participants expecting higher sales in second quarter 2011 versus first quarter 2011.

For more information about the *First Quarter 2011 Pulse of the Industry Report*, contact Bob Zaborowski, Director, Business & Economic Research, at (410) 694-0800 or bzaborowski@flexpack.org. **FP**



FPA RELEASES 2010 FOURTH QUARTER INDUSTRY EARNINGS REPORT

The 2010 Fourth Quarter Industry Earnings Report, produced by the Flexible Packaging Association, examines the profitability and productivity of the flexible packaging industry. Key financial and operating expense benchmarking data appears within the Report, which is gathered from FPA converter members through the 2010 Fourth Quarter Industry Earnings Survey.

FPA is pleased to report that 53 percent of its converter membership participated in the survey. Companies surveyed include a cross section of small, mid, large, and very large companies. The Report is only available to FPA converter members who participated in the survey.

Highlights of the Report note that net profit before tax as a percent of net sales increased slightly to 5.6 percent (fourth quarter 2010) from 5.2 percent (fourth quarter 2009). The Report also details information on average P&L and expense data by company size (based on year-to-date sales revenue) and primary manufacturing operation.

For more information on the 2010 Fourth Quarter Industry Earnings Report and other benchmarking reports including the Operating Ratios, the Pulse of the Industry, the State of the Flexible Packaging Industry Report, and the Industry-Wide Converter Report, contact Bob Zaborowski, director, FPA Business & Economic Research, at zbaborowski@flexpack.org or (410) 694-0800. **FP**

FPA AT PACK EXPO INTERNATIONAL 2011

The winning entries of the 2011 FPA Flexible Packaging Achievement Awards will be featured in the PACK EXPO Showcase of Packaging Innovations during PACK EXPO International, September 26-28, 2011, at the Las Vegas Convention Center.

Exposition attendees may also view and pick up copies of the 2011 FPA Flexible Packaging Achievement Awards & Innovation Showcase, which includes full color photos and detailed descriptions of the winning packages and competition entries, will also be available.

To learn more about the FPA Flexible Packaging Achievement Awards, visit www.flexpack.org. For more information on the PACK EXPO Showcase of Packaging Innovations, and PACK EXPO International 2011, visit www.packexpo.com. **FP**



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September 26-28, 2011
Las Vegas Convention Center
Las Vegas, Nevada USA

FPA WELCOMES NEW MEMBERS

The Flexible Packaging Association is pleased to welcome **Eastman Chemical Company** and **Shoplogix** to the association. Following are descriptions about these new FPA members.

EASTMAN

- **Eastman Chemical Company**

The Eastman Chemical Company manufactures and markets a broad range of chemicals, fibers and plastics, which are used to make products for a variety of end use markets, including packaging. Eastman Chemical's FPA official representative is Matthew Dudas, Global Market Development Manager, Packaging. For more information, visit www.eastman.com.



- **Shoplogix, Inc.**

Shoplogix develops performance management solutions designed to enable manufacturers to reduce operating costs, increase manufacturing profitability and drive rapid time to value. Shoplogix's FPA official representative is Brianne Goyette, Marketing Specialist. For more information, visit www.shoplogix.com.